

November 4, 2004

Minutes of Appropriation Committee Meeting  
Thursday, November 4, 2004  
Town Office Building Room G-15

Attendees: A. Levine (Chair), P. Hamburger, R. Pawliczek, D. Brown (Vice Chair), R. Eurich, J. Bartenstein, D. Kanter, E. Michelson, R. Cole, W. Kennedy (Board of Selectmen [BoS] liaison), G. Burnell & S. Stolz of Capital Expenditures Committee (CEC)

Material Distributed:

#1. Agenda

#2. Materials left on table by Sheila English (presented to BoS in preparation for Moody's discussion):

Bond rating narrative, various charts including list of Aaa communities in MA with data re free cash & stabilization funds, other demographic indices

#3. Documents prepared by J. Bartenstein for AC briefing on water/sewer reserves, receivables issues

The meeting was called to order at 7:40 pm by Al Levine

1. Town Manager hiring process:

a. *Interim Town Manager hiring process update:* DB reported the final results of interim search process. BoS interviewed two outside candidates presented by search committee. Search committee also suggested option of retaining Linda Vine in position. With full support of search committee, BoS tapped Linda Vine to continue as interim/acting town manager through Town Meeting or until a (permanent) replacement is hired. John Ryan will serve as part-time consultant to Linda Vine to assist with budget/financial matters.

RE asked what John Ryan's involvement would mean for Comptroller. DB reported that Sheila English has her own consulting arrangement with John Ryan.

AL, EM, and PH questioned what reduction in services, operational changes will result from reduction in staff (no assistant town manager while Linda serves as interim/acting). Any plans for other support? W. Kennedy said John Ryan will consult 5-10 hrs/week and there are no other plans for additional support for Linda Vine. PH & DK expanded on the question: AC needs to understand what services are being lost, if any. It would be useful to have at a bullet level what responsibilities Linda Vine had as assistant town manager which won't get done during the interim period. This is a question AC should pose to BoS. W. Kennedy responded that Linda Vine is planning some reorganization of positions, but won't involve any additional hiring. In terms of things not getting

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done, thinks it will be more of a backlog situation, with things done on a priority basis. AC asked W. Kennedy to relay these questions to the BoS; W. Kennedy agreed.

PH asked about pending union contract negotiations. W. Kennedy indicated that he doesn't think the unions will be interested in negotiating with any interim, but others feel differently on BoS. G. Burnell suggested that maybe a professional labor negotiator could be brought in as additional help.

b. *Regular Town Manager search process*: DB and W. Kennedy reported that BoS appointed a search committee Monday night (Nov. 1).

AC voted 8-0 (RC had not yet arrived) for DB to serve as AC liaison to search committee.

AC reviewed revised draft of committee memo re selection criteria (input for town manager search committee). Changes discussed.

AC voted 8-0-1 (JB abstained) to approve with tonight's changes.

2. Minutes: RP will have next week. DB also sorry not to have something ready.

3. Water/Sewer Enterprise Funds accounts receivable: JB passed out documents he prepared for AC briefing tonight. [Later revised and distributed by email - ed.] Took us through handouts describing history of water/sewer reserves, and accounts receivable history and calculations and efforts to reconcile with estimates provided in BOS rate setting hearings. JB has been asking since July 1 what the reserves look like - to no avail - important because rates set based upon assumptions about what's needed to support services and maintain appropriate reserves. Bill Hadley's presentation to BoS included estimate of reserves for '04 - that's line from JB's chart - \$2.3M. Every year state comes in and certifies our free cash both in general fund and in reserve funds, but this apparently hasn't been done so this is Bill Hadley's estimate. Not what JB would have expected based on revenues and expenses for the year. JB walked us through calculation of FY04 reserve balance - his calculation. JB's response to Bill Hadley's announcement of \$2.3M reserves was to send memo to Sheila English indicating that this reserve figure is \$3.2M less than what he expected, and would only expect this if receivables had jumped significantly. At next BOS meeting, that's exactly the explanation that what was presented. (See the chart on JB's first handout. "Reported 04" refers to oral report by Sheila at BOS meeting that there had been a spike in receivables of 2.4M from FY03 to FY04 - for total of 4.6M.) JB considers it highly improbable that citizens suddenly stopped paying w/s bills, so he questions whether the \$4.6M receivables reported is really the right number, and if it is, what's going on. That's where things have been for last 10 days. Has been doing what he can to figure out the answer. Just obtained a report of the receivables for FY04. (Last set of bills went out in April or May). There's an entry here for a nursing home - SunBridge of Lexington - \$775,000 bill and interest due \$44,000. Unlikely that they used that much water. It's probably off by one or two orders of magnitude. JB and DB trying to piece together a plausible explanation, thinking about

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the data collection and report generation process. Water meters on outside of house, data read by wand/gun and uploaded into MUNIS, MUNIS generates bills from this input. MUNIS has a bug in case where a meter hits 999 and turns over to 000, MUNIS calculates water use incorrectly. So now a bad number gets into the MUNIS system. The revenue office, which we visited on Monday, recognizes that this is a problem and has been working on it. JB's hypothesis is that there were manual corrections of this based on high/low report, and a corrected bill was sent out, but the original number in the system wasn't fixed, so when revenue office generates an accounts receivable report, the numbers are wrong. Next important question is whether we have confidence in the revenue numbers. JB walked committee through Bill Hadley's memo and the spreadsheet of appropriation vs. expended. Commitments (billings minus abatements) are recorded as \$6,996,623. The memo reports "actual receipts" of \$7,074,376 (payment of current and prior years' commitments). This suggests that we can have confidence in the \$7M revenue figure provided by Bill Hadley. At this point JB doesn't believe there is a collections problem, but not all questions answered yet and still awaiting further information. Hopes to clear this up soon and feels we're narrowing in on a computer error.

AC agrees that JB should continue to pursue this and report back to the committee.

Some discussion of MUNIS problems and Nov. 1 meeting with Revenue Office (at their invitation). MUNIS meter rollover problem described at that meeting. RC described receiving a negative w/s bill because he had received someone else's abatement.

4. Philosophy of FY06 budget: Continuation of discussion begun at last meeting. Lengthy discussion among AC members about purpose/utility of proposed budget preparation guidelines (Linda Vine's intent to produce two budgets: a level-service budget and a needs-based budget). AC members came to some agreement that level-service should be best defined as level-staffing, that is, staffing at current (FY05) levels, and that this level-staffing budget is simply a benchmark to indicate what it would cost to do business in FY06 more or less the way we're doing it in FY05. There may be ways in which this staffing level is imperfect and it is expected that there will be proposals to change/improve/add/re-organize. These should be represented in the needs-based/recommended budget submission, with deltas to indicate changes from FY05 staffing levels (up or down). But with common benchmark of "level-staffing" budget, the boards and committees can together consider the competing priorities and where to deploy limited resources. DB reported from her meeting with T. Griffiths (School Committee [SC] liaison to AC) that SC hasn't given a particular instruction to interim superintendent re budget preparation, but expect to see something based roughly on the same distribution of revenues as FY05 budget and assuming something close to a 2% increase in revenues. AC members expressed concerned with this approach, and general agreement that it is important for both the municipal and the school budgets to be presented in same way (a level-staffing budget and a needs-based/recommended budget), with no prior assumptions about how resources will be distributed.

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G. Burnell commented that with all the personnel changes, this year in particular the two finance committees need to play an even more active role than in prior years so there's some agreement on the budget before Town Meeting. PH responded that it would be helpful to have some "pull" as well as "push" - that is, for the BoS and SC to indicate that they'd like that kind of assistance from the finance committees.

Questions raised about whether we know what the budget gap looks like at this point. DB said Linda Vine is expecting to have revenue estimates, some big budget number plug-ins (debt, reserves, health care) by end of the week.

AC decided that AL and DB should meet with Linda Vine early next week to offer help and to suggest level-staffing baseline, and to discuss how coordination might take place on budget preparation, including communication with schools.

5. Future meetings: Summit on the 17th of November, 6-8pm. Will post to meet then, and after, and will keep our posting for the 18th. Won't schedule anything for next week.

6. Reports on other meetings - didn't go into detail because of late hour.

Revenue Office meeting: DK - one sentence impression - they are spread too thin in terms of personnel, and their ability to do cash reconciliation. AL commented they had 7 full-time equivalents before failed override, 4.5 FTEs now.

7. CEC concerns: G. Burnell commented that we're going into a summit and things are kind of fractured. Want to know if CEC and AC are on the same page. His two major concerns: 5% cash capital policy and bond rating. Does AC have problems with supporting/reinforcing those priorities? Re 5% cash capital policy, PH remarked that he doesn't have a problem with the policy, but the question is whether it can be maintained this year (FY06). G. Burnell noted that this isn't new; in many years there has been pressure to put aside capital to support operating budget. Says the 5% is very important, not because it's 5% necessarily, but so capital concerns have a stake in the ground. AL, others responded that we understand the concern. PH questioned the policy recently of borrowing to support the cash capital policy. G. Burnell noted that we've retired more debt than we've taken on (short-term debt) but that this is something to watch. Re bond rating, G. Burnell thinks we're on the slippery edge. Hopes someone is thinking about this. AL reported that David Eisenthal (town's bond consultant) met with AC and committee is aware of the issues.

8. Other business: Discussed transition of the Finance Director/ Comptroller. Agreed to direct information requests first to Linda Vine now that she will be the acting town manager for the duration of the interim period.

The meeting was adjourned at 10:30 pm.

Deborah Brown, Acting Secretary  
(w/ revisions from the Committee)

*Approved December 16, 2004*